

**INTI**

INTERNATIONAL COLLEGE PENANG (507232-U)

LAUREATE INTERNATIONAL UNIVERSITIES

FINAL  
Examination Paper

(COVER PAGE)

Session : April 2013

Programme : Foundation in Business Information Technology Programme

Course : **MGT1212 : FUNDAMENTALS OF ACCOUNTING**

Date of Examination : 1 August 2013

Time : 11 a.m. – 1 p.m. Reading Time : Nil

Duration : 2 Hours

Special Instructions :

This paper consists of **FIVE (5)** questions. Answer any **FOUR (4)** questions in the answer booklet provided. All questions carry equal marks.

Materials permitted : Nil

Materials provided : Nil

Examiner(s) : **Leon Siew Lin**

Moderator : **Dr. Phua Lian Kee**

*This paper consists of 5 printed pages, including the cover page.*

INTI INTERNATIONAL COLLEGE PENANG  
FOUNDATION IN BUSINESS  
MGT1212 : FUNDAMENTALS OF ACCOUNTING  
FINAL EXAMINATION : APRIL 2013 SESSION

Answer any **FOUR (4)** questions out of the **FIVE (5)** questions in the answer booklet provided. All questions carry equal marks.

**QUESTION 1 (25 Marks)**

The following is an unadjusted list of account balances of Sunny Rising Sdn Bhd as at the 30<sup>th</sup> June 2013, with the balance day adjustments noted below to be incorporated into the final financial reports.

	\$
Bank Overdraft	19,840
Buildings	152,180
Machinery	60,000
Debtors Control (Accounts Receivable)	161,420
Stock on Hand (at 1 <sup>st</sup> July 2012)	8,560
Provision for Doubtful Debts	5,000
Mortgage	50,000
Sales	246,520
Discount Received	1,640
Accumulated Depreciation – Machinery	26,450
Creditors Control (Accounts Payable)	42,330
Bad Debts Recovered	1,590
Interest Expense	2,920
Purchases	112,480
Cartage Inwards	2,640
Cartage Outwards	4,560
Advertising	16,440
Insurance	22,920
Office Wages	81,420
Discount Allowed	1,600
Drawings	21,210
Capital	284,980
Long Term Investment	30,000

**Additional Information:**

- Stock on Hand 30<sup>th</sup> June 2013                      \$12,540
- Accrued wages    \$1,500
- Prepaid Insurance                                        \$1,800
- Depreciation on Machinery 5% on original cost (straight line)

**REQUIRED:**

- (a) Prepare a Classified Statement of Financial Performance (Profit and Loss Statement). (15 marks)
- (b) Prepare a Classified Statement of Financial Position (Balance Sheet). (10 marks)

**QUESTION 2 (25 marks)**

Machinery was purchased by Penny Smith for \$45,500 on 1<sup>st</sup> May 2010. There were installation costs of \$2,500 and the machinery was commissioned into production on 1<sup>st</sup> May 2010. The machine was to be depreciated on the straight-line method at 15% per annum and the residual value was estimated to be nil. On 1<sup>st</sup> October 2012 the machine was traded in for \$30,000 on TWO (2) new machines costing \$60,000 each. The machines were operational from 31<sup>st</sup> October 2012 and were to be written off over 5 years.

**REQUIRED:**

Prepare the general ledger accounts for the financial years ended 31<sup>st</sup> December 2010, 2011 and 2012 for the following ledger accounts:

- (a) Machinery (6 marks)
- (b) Accumulated depreciation (5 marks)
- (c) disposal of non-current assets (6 marks)
- (d) depreciation – machinery (8 marks)

**QUESTION 3 (25 marks)**

- (a) Explain the purpose of an accounting system. (3 marks)
- (b) List at least four (4) parties in the community that would be interested in the accounting reports of a business enterprise. (4 marks)
- (c) How would those be likely to use the information in these reports? (8 marks)
- (d) Discuss the concept of the accounting entity. (2 marks)
- (e) Why is it important to record transactions from the point of view of the accounting entity? (4 marks)
- (f) What factors would influence the selection of the form of business ownership? (4 marks)

**QUESTION 4**

- (a) List the benefits and limitations of a Trial Balance. (4 marks)
- (b) The Ledger accounts of Cannibal King at 31st December 2012 are shown below in alphabetical order.

	\$
Bank	44,880
Buildings	552,600
Capital	1,008,180
Creditors	16,020
Debtors	3,900
Equipment	84,000
Inventory	109,500
Land	1,125,000
Lighting equipment	158,700
Long Term Loan	72,000
Motor Vehicles	70,800
Office Equipment	5,730
Short Term Loan	1,170,000
Computer Equipment	150,000
Tax payable	38,910

**REQUIRED:**

Prepare a Trial Balance as at 31<sup>st</sup> December 2012. (14 marks)

- (c) Indicate how each of the following transaction would change the trial balance totals. For each transaction, specify whether the debit or credit totals would be overstated, understated, or whether both totals would be unchanged. (5 marks)
- (i) The debtors balance of \$83,000 was listed in the Trial Balance as \$88,300.
  - (ii) a \$500 payment for Advertising Expense was debited to General Expense during the accounting period.
  - (iii) The creditors balance of \$51,300 was omitted from the Trial Balance.
  - (iv) Salaries Expense of \$9,750 was listed in the Trial Balance as a credit.
  - (v) The Owner's Drawings account, with a debit balance of \$10,000 was listed as a credit in the Trial Balance.

**QUESTION 5**

Tin Tin Sdn Bhd started a foaming agent business. The following are the stock movements for the month of May 2013.

Opening balance		350 litres	\$7,000
Purchases for May:			
Received	6 <sup>th</sup> May	200 litres @	\$25.00/litre
Received	13 <sup>th</sup> May	200 litres @	\$27.00/litre
Received	28 <sup>th</sup> May	200 litres @	\$30.00/litre
Issues to Production:			
Issued	4 <sup>th</sup> May	120 litres	
Issued	8 <sup>th</sup> May	80 litres	
Issued	12 <sup>th</sup> May	110 litres	
Issued	14 <sup>th</sup> May	220 litres	
Issued	21 <sup>st</sup> May	80 litres	
Issued	30 <sup>th</sup> May	120 litres	

**REQUIRED:**

Prepare Stores Ledger Account (Stock Card) to record the receipts and issues of foaming liquid for May 2013 showing the value of closing stock on the following basis:

- (a) FIFO (First-In-First-Out) Method (14 marks)  
 (b) Weighted Average Method (11 marks)